

**JOINT STOCK COMPANY "VALMIERAS STIKLA ŠĶIEDRA"**  
Registration Number 40003031676  
Financial Report for the period ended December 31<sup>st</sup> 2014  
**UNAUDITED**  
Made in accordance with the International Financial Reporting Standards

Valmiera  
2015

## COMPANY PROFILE

The name of the enterprise:	Valmieras stikla šķiedra
The legal status:	Joint Stock Company
Registration number:	40003031676
Registration place, date:	Riga, September 30 <sup>th</sup> 1991
Type of business:	Production of glass fibre products / NACE 23.14
Registered office:	13 Cempu Street Valmiera, LV- 4201 Latvia
The board:	<i>Chairman of the Board:</i> Andris Oskars Brutāns, President  <i>Board Members:</i> Andre Heinz Schwiontek, Vice President Dainis Šēnbergs Hans-Jochen Häusler Stefan Jugel
The council:	<i>Chairman of the Council:</i> Jürgen Preiss-Daimler  <i>Council Members:</i> Peter Hans Cordts Frank Wilhelm Behrends Guntis Strazds Jöran Pfuhl
The period of the report:	January 1 <sup>st</sup> 2014 – December 31 <sup>st</sup> 2014
Companies included in consolidation:	Valmiera Glass UK Ltd (100% shares) Valmiera Glass USA Corp. (100% shares) Valmiera Glass Trading USA Corp. (100% shares)

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## MANAGEMENT REPORT

### General information

#### Type of Business

During the reporting period the Valmiera Glass Group includes the JSC "Valmieras stikla šķiedra" and its' subsidiaries Valmiera Glass UK Ltd in Great Britain and Valmiera Glass USA Corp and Valmiera Glass USA Trading Corp. in United States of America (further in the text – Group). The main profiles of JSC "Valmieras stikla šķiedra" are glass fibre research, development, manufacturing and sales.

The Group positions itself in the market as vertical integrated – from fibre glass up coated / impregnated fabrics – various composite material supplier for the airline industry, building industry and other manufacturing industries.

JSC "Valmieras stikla šķiedra" manufactures glass fibre and glass fibre products from two types of glass (E-glass 600°C, SiO<sub>2</sub>-glass 1000+°C). These can be used for further processing, for technical (electro, thermal and sound) insulation materials, as well as ready-made building and mechanical engineering materials et al.

The subsidiary company Valmiera Glass UK Ltd produces glass fibre products for the aviation industry, thermal insulation and architecture, while starting with February 2015 Valmiera Glass USA Corp. produces glass fibre products with high added value – non-woven materials. Valmiera Glass Trading USA Corp. hasn't performed any activities.

The most important event for the Group in the year 2014 was establishment of subsidiaries in United States of America. The location of manufacturing and sales activities in United States will ensure availability of the products to the oversea customers and allowing decrease terms of delivery. In the long run business in United States shall improve the profitability of the Group and there should be closer partnership created with the major customers. This shall lead to new business development opportunities and will strengthen the Groups positions in the world's glass fibre market.

#### Sales

The production of JSC Valmieras stikla šķiedra is being sold in 39 countries all over the world, reaching 97% export capacity. The main sales markets of JSC "Valmieras stikla šķiedra" are: the countries of the European Union (72%, an increase of 11% compared with the same period last year) and North America. Middle East and Asia region export market significantly evolve.

Analysing the segments of products, growth of sales volume has been recognized for the products with high added value: glass fibre products with high SiO<sub>2</sub> content, glass fibre nettings and non-woven products. All these products in the year 2014 have been sold 16% more in average compared to the same period in 2013. Regarding other product segments the sales growth is valuated as stable.

### Employees

There have been 1098 people employed at Valmiera Glass Group during the year 2014 in average. Out of them 945 employees were employed at JSC "Valmieras stikla šķiedra", 148 people were employed at the subsidiary Valmiera Glass UK Ltd and 5 people at subsidiary Valmiera Glass USA Corp. Compared to the same period in the year 2013 workforce has increased over the Group.

### Investments

EUR 12.9 Million have been invested during the year 2014 in development of JSC "Valmieras stikla šķiedra" and in the subsidiary Valmiera Glass USA Corp., which includes purchase of new production machinery, modernization of existing technologies, set-up of new production plant in United States and the development of new products with intentions to increase the production capacity of the Group.

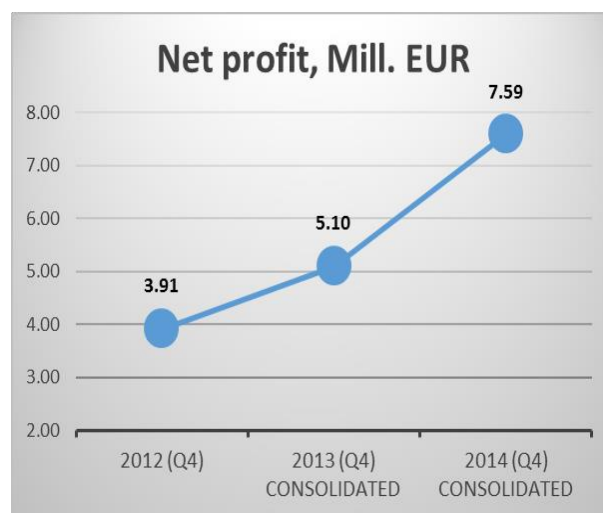
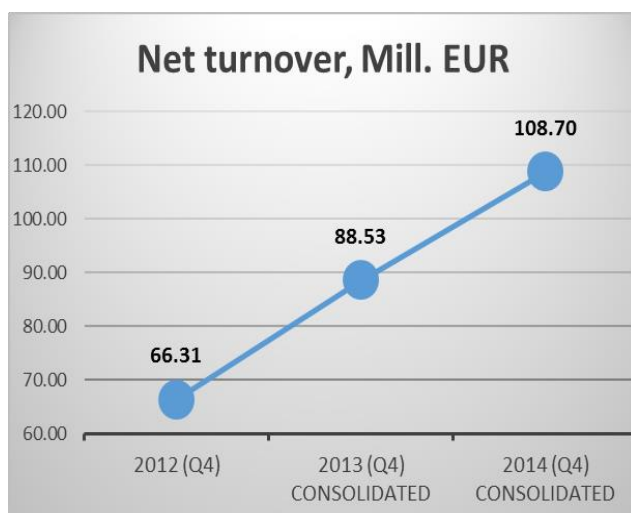
### Quality management

Operations of the Company are certified according to ISO 9001:2008 requirements. The German Quality management system certification company DQS GmbH once per three years audits compliance with these requirements. On March 16<sup>th</sup> 2012 the Company received quality management system certificate that is valid until March 15<sup>th</sup> 2015.

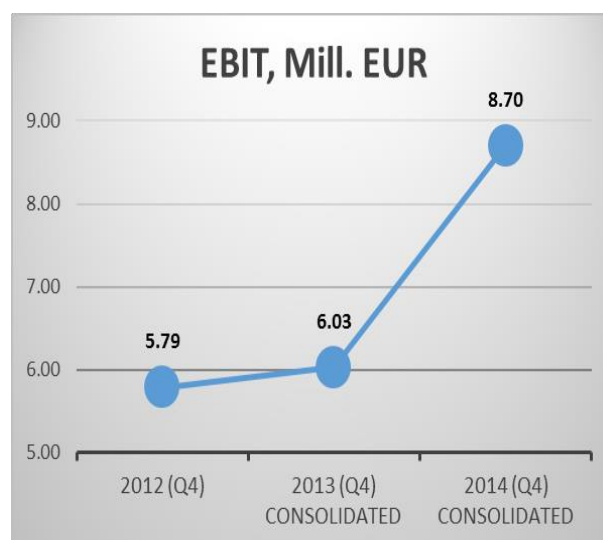
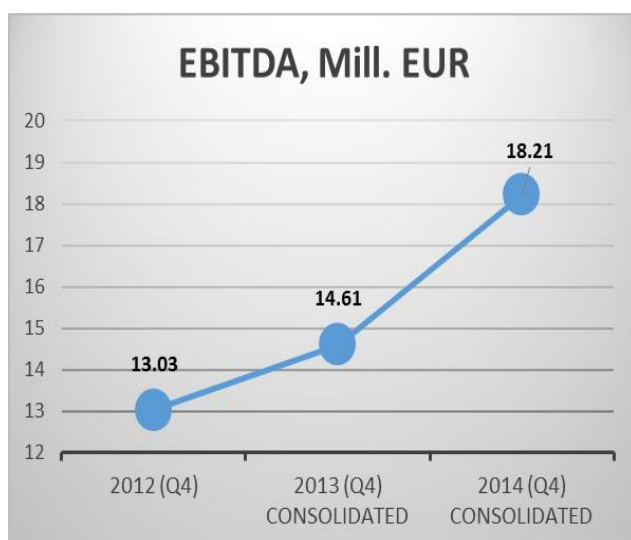
## Financial results

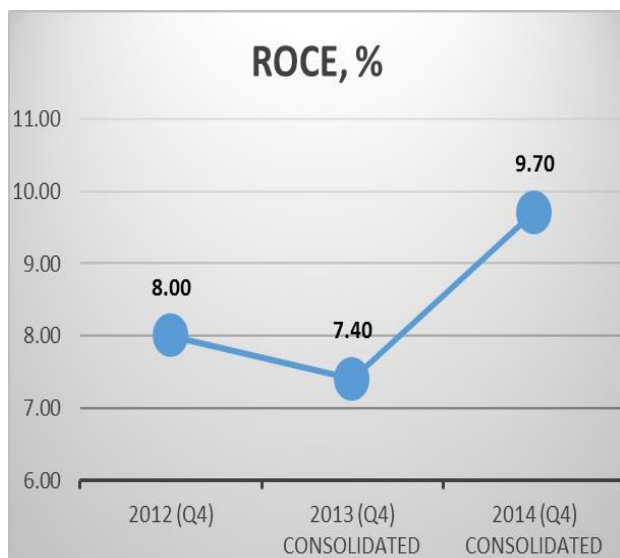
The consolidated net turnover of the Group in the year 2014 has reached EUR 108.7 Million. That is the highest net turnover reached in the company since it was founded. It has increased by EUR 20.2 Million or 23% compared to the Groups consolidated net turnover in the 2013.

The consolidated net profit of the Group in the year 2014 has reached EUR 7.59 Million and that is 49% more compared to the Groups net profit in 2013.



The Groups consolidated operating profit (EBITDA) was EUR 18.21 Million and it is 25% more than in the year 2013. The earnings before the interest and taxes (EBIT) reached EUR 8.70 Mill. or about 44% more than in the year 2013.





The consolidated return on capital (ROCE) has increased to 9.7% and it is by 2.3 percentage points more than in the year 2013 whereas the consolidated operating profit margin ratio was 8%.

Paying attention to the development in markets and to the operating results of JSC Valmieras stikla šķiedra and its subsidiaries the management of the Group forecasts that the net turnover of the Group in the year 2015 could reach EUR 127.7 Million and consolidated net profit EUR 10.77 Million.

## Shares market

The shares of JSC "Valmieras stikla šķiedra" are listed on NASDAQ OMX Riga Secondary market since February 24<sup>th</sup> 1997.

*The share price development of JSC Valmieras stikla šķiedra in period of 01.01.2014 to 31.12.2014  
Information from: AS „NASDAQ OMX Riga”, home page [www.nasdaqomxbaltic.com](http://www.nasdaqomxbaltic.com)*



The Company's share price from January 1<sup>st</sup> 2014 till December 31<sup>st</sup> 2014 has increased by EUR 1.657 or 80.31%. The value of one share at January 1<sup>st</sup> 2014 was EUR 2.063 but till December 31<sup>st</sup> 2014 the price had increased to EUR 3.720. Net profit per share in the year 2014 reaches EUR 0.3176 and that is the highest index during existence of the company.

The total amount of shares sold in the year 2014 reach 433 thousand and the share turnover of JSC "Valmieras stikla šķiedra" has reached EUR 1.41 Million.

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JSC Valmieras stikla šķiedra  
The Chairman of the Board  
Andris Oskars Brutāns

February 27<sup>th</sup> 2015



## THE STATEMENT OF MANAGEMENT RESPONSIBILITIES

The management of the Valmiera Glass Group is responsible for preparation of the financial statements.

The Financial Statements are prepared in accordance with the source documents and present fairly the state of affairs of the Group at the end of December 31<sup>st</sup> 2014 and the results of its operations and cash flows for the period ended on December 31<sup>st</sup> 2014. The management confirms that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements presented. The management also confirms that the applicable requirements of the International Financial Reporting Standards are followed. The financial statements of the Group have been prepared on a going concern basis.

The management of the Group is also responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. They are also responsible for operating the Group in compliance with the legislation of Latvian Republic.

In the name of the management,

JSC Valmieras stikla šķiedra  
The Chairman of the Board  
Andris Oskars Brutāns

February 27<sup>th</sup> 2015

## BALANCE SHEET (ASSETS)

*As at December 31<sup>st</sup> 2014 and December 31<sup>st</sup> 2013*

	31.12.2014 EUR	31.12.2013 EUR
<b>ASSETS</b>		
<b>Non-current assets</b>		
<b>Intangible assets</b>		
Patents, licenses, trade mark and similar rights	470 179	51 435
Costs of establishment of intangible investments	-	156 937
Goodwill	3 930 822	3 930 822
<b>Total intangible assets</b>	<b>4 401 001</b>	<b>4 139 194</b>
<b>Tangible fixed assets</b>		
Land and buildings	13 974 563	11 960 567
Equipment and machinery	45 732 132	48 408 104
Other fixed assets	922 977	810 959
Constructions in progress	7 605 917	3 659 184
Advance payments for fixed assets	3 960 646	764 663
<b>Total fixed assets</b>	<b>72 196 236</b>	<b>65 603 477</b>
<b>Deferred tax assets</b>	<b>1 214 908</b>	<b>1 088 889</b>
<b>Total non-current assets</b>	<b>77 812 145</b>	<b>70 831 560</b>
<b>Current assets</b>		
<b>Inventory</b>		
Raw materials	10 077 153	9 099 129
Work in progress	4 604 407	2 730 162
Finished goods	15 777 253	12 165 063
Advance payments for inventories	289 583	79 470
<b>Total inventory</b>	<b>30 748 395</b>	<b>24 073 824</b>
<b>Accounts receivable</b>		
Trade receivables	11 711 664	12 537 181
Other receivables	603 949	942 704
Deferred expenses	423 474	214 350
<b>Total accounts receivable</b>	<b>12 739 086</b>	<b>13 694 235</b>
<b>Cash and cash equivalents</b>	<b>1 136 950</b>	<b>1 175 121</b>
<b>Total current assets</b>	<b>44 624 432</b>	<b>38 943 180</b>
<b>TOTAL ASSETS</b>	<b>122 436 577</b>	<b>109 774 740</b>

## BALANCE SHEET (LIABILITIES)

*As at December 31<sup>st</sup> 2014 and December 31<sup>st</sup> 2013*

	<b>31.12.2014</b>	<b>31.12.2014</b>
	<b>EUR</b>	<b>EUR</b>
<b>LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>		
<b>Shareholders' equity</b>		
Share capital	33 464 487	34 011 197
Other reserves	1 625 288	475 201
Retained earnings:		
a) Retained earnings	11 453 637	8 358 044
b) Current year profit	7 592 528	5 103 463
<b>Total shareholders' equity</b>	<b>54 135 941</b>	<b>47 947 905</b>
<b>Liabilities</b>		
<b>Non-current liabilities</b>		
Due to credit institutions	28 914 993	25 714 109
Finance lease	191 322	130 773
Deferred tax	754 869	411 466
Retirement benefit obligation	3 776 997	4 450 074
Deferred income	3 021 278	1 267 868
Embedded derivatives	1 250 139	1 625 836
<b>Total non-current liabilities</b>	<b>37 909 598</b>	<b>33 600 126</b>
<b>Current liabilities</b>		
Due to credit institutions	16 206 030	10 986 287
Finance lease	119 215	73 373
Advance payments from customers	209 833	136 246
Trade payables	9 998 210	13 014 438
Taxes and social security contributions	584 016	753 660
Other accounts payable	571 656	548 764
Accrued liabilities	1 542 290	1 554 155
Retirement benefit obligations	994 370	994 370
Deferred income	165 418	165 416
<b>Total current liabilities</b>	<b>30 391 038</b>	<b>28 226 709</b>
<b>Total liabilities</b>	<b>68 300 636</b>	<b>61 826 835</b>
<b>TOTAL LIABILITIES &amp; SHAREHOLDERS' EQUITY</b>	<b>122 436 577</b>	<b>109 774 740</b>

## STATEMENT OF PROFIT AND LOSS

*For the period ended December 31<sup>st</sup> 2014 and December 31<sup>s</sup> 2013*

	<b>31.12.2014</b>	<b>31.12.2013</b>
	<b>EUR</b>	<b>EUR</b>
<b>Sales</b>	108 698 544	88 532 563
Change in inventories	5 297 394	1 562 995
Other operating income	812 492	1 672 217
Raw materials and consumables	(57 175 577)	(48 052 301)
Personnel expenses	(21 319 658)	(15 231 761)
Depreciation and amortization	(9 513 596)	(8 584 144)
Other operating expenses	(18 099 702)	(13 873 342)
<b>Operating profit</b>	<b>8 699 897</b>	<b>6 026 227</b>
Interest and similar income	856 156	879 280
Interest and similar expenses	(1 738 289)	(1 672 757)
<b>Profit from operations and before tax</b>	<b>7 817 764</b>	<b>5 232 750</b>
Corporate income tax	(225 236)	(129 287)
<b>NET PROFIT</b>	<b>7 592 528</b>	<b>5 103 463</b>
<i><b>Profit per share applicable to the parent company's shareholders</b></i>	<i><b>0.3014</b></i>	<i><b>0.2101</b></i>
<i><b>Profit per share</b></i>	<i><b>0.3176</b></i>	<i><b>0.2135</b></i>

## STATEMENT OF CASH FLOWS

	<b>2014. gada 12 mēneši EUR</b>	<b>2013. gada 12 mēneši EUR</b>
<b>OPERATING ACTIVITIES</b>		
Profit before tax	7 817 764	5 232 750
Adjustments:		
Change in fair value of embedded derivatives	(375 697)	(847 154)
Depreciation and amortization	9 513 596	8 584 144
Profit or loss from disposal of fixed assets	3 368	1 935
Interest expenses	1 738 289	1 672 757
Financial income EU Funding / LIAA State support	(349 601)	(220 592)
<b>Changes in operating assets and liabilities:</b>		
Inventories	(6 674 571)	(2 673 054)
Accounts receivable and other assets	955 148	-15 210
Accounts payable and other liabilities	222 098	1 433 822
<b>Cash provided by operating activities</b>	<b>12 850 394</b>	<b>13 169 398</b>
<b>Investing activities</b>		
Purchase of fixed and intangible assets	(16 489 767)	(12 372 386)
Share purchase related companies	(3 000 000)	(4 395 452)
<b>Net cash used in investing activities</b>	<b>(19 489 767)</b>	<b>(16 767 838)</b>
<b>Financing Activities</b>		
Dividends paid	(2 007 871)	(1 564 515)
Loans received	11 069 030	11 504 577
Loans paid	(5 709 784)	(5 421 488)
Credit line received	3 061 381	845 127
Finance lease paid	(44 726)	(201 566)
EU / LIAA funding received	1 971 460	989 114
Interest paid	(1 738 289)	(1 617 331)
<b>Net cash provided by financing activities</b>	<b>6 601 202</b>	<b>4 533 918</b>
<b>Net decrease / increase in cash and cash equivalents</b>	<b>(38 171)</b>	<b>935 478</b>
Cash and cash equivalents at the beginning of the year	1 175 121	239 643
<b>Cash and cash equivalents at the end of the year</b>	<b>1 136 950</b>	<b>1 175 121</b>

## STATEMENT OF SHAREHOLDERS' EQUITY

*As at December 31<sup>st</sup> 2014 and December 31<sup>st</sup> 2013*

		EUR		
	Share capital	Retained earnings	Other reserves	Total
<b>As of December 31<sup>st</sup> 2012</b>	<b>34 011 197</b>	<b>9 922 558</b>	-	<b>43 933 755</b>
Profit 12 months 2013	-	5 103 463	-	5 103 463
Dividends paid	-	(1 564 514)	-	(1 564 514)
Other income	-	-	475 201	475 201
<b>As of December 31<sup>st</sup> 2013</b>	<b>34 011 197</b>	<b>13 461 507</b>	<b>475 201</b>	<b>47 947 905</b>
Profit 3 months 2014	-	7 592 528	-	7 592 528
Paid dividends	-	(2 007 870)	-	(2 007 870)
Other income	(546 710)	-	1 150 087	603 377
<b>As of December 31<sup>st</sup> 2014</b>	<b>33 464 487</b>	<b>19 046 165</b>	<b>1 625 288</b>	<b>54 135 941</b>

## ANNEX

### 1. Share capital

The registered share capital of JSC "Valmieras stikla šķiedra" as at December 31<sup>st</sup> 2014 is EUR 33 464 487 and December 31<sup>st</sup> 2013 was EUR 34 011 196.58. The company's paid share capital registered with the Enterprise Register as at December 31<sup>st</sup> 2014 is EUR 33 464 487, consisting of 23 897 455 ordinary shares with voting rights and 5.750 ordinary shares without voting rights. The nominal value of each share is EUR 1.40.

As at December 31<sup>st</sup> 2014 and December 31<sup>st</sup> 2013 the shareholders of the JSC "Valmieras stikla šķiedra", in accordance with the records maintained by the Latvian Central Depository, were as follows:

	Year 2014	Year 2013
Vitrulan International GmbH	36.2%	36.2%
P-D Glasseiden GmbH Oschatz	26.1%	26.1%
P-D Management Industries-Technologies GmbH	23.9%	23.9%
Valsts sociālās apdrošināšanas aģentūra, VAS	2.4%	2.4%
Preiss-Daimler Beatrix	5.1%	4.5%
Other	6.3%	6.9%
	<b>100.0%</b>	<b>100.0%</b>

### 2. INFORMATION CONCERNING THE PROFIT OR LOSS ACCOUNT

	Year 2014 EUR	Year 2013 EUR
<b>2.1. Material expenses</b>		
Raw materials	42 333 534	31 713 850
Natural gas	5 189 933	5 099 217
Electricity	6 970 212	6 450 685
Ore processing costs	454 978	633 791
Oxygen	828 404	816 485
Other	1 398 517	3 338 273
<b>Total</b>	<b>57 175 577</b>	<b>48 052 301</b>
<b>2.2. Personnel expenses</b>		
Salaries	14 979 441	10 938 473
Social security payments	3 074 602	2 535 061
Illness and vacation expenses	1 072 102	959 434
Provisions for remuneration of Board and Council	977 400	343 589
Insurance of employees	107 816	83 686
Other	1 108 298	371 518
<b>Total</b>	<b>21 319 658</b>	<b>15 231 761</b>

### 2.3. Depreciation and amortization

Fixed asset depreciation	9 064 977	8 219 021
Depletion of ore	365 854	355 245
Intangible asset amortization	82 766	9 878
<b>Total</b>	<b>9 513 596</b>	<b>8 584 144</b>

### 2.4. Other operating expenses

Transportation	7 268 343	6 022 635
Sales commission	1 611 714	1 308 444
Service costs	2 262 417	1 568 574
Spare parts	1 382 291	846 338
Repair expenses	998 439	766 468
Insurance	690 593	317 625
Business trips	1 080 258	736 348
Labour safety and specific clothing	183 309	77 855
Research and development expenses	374 427	226 447
Communications	175 297	108 017
Leasing	739 516	506 878
Office expenses	319 225	219 390
Selling expenses	134 515	189 610
Property tax	201 905	70 717
Increase in doubtful debts	135 914	27 812
Other	541 539	880 184
<b>Total</b>	<b>18 099 702</b>	<b>13 873 342</b>

### 3. TRADE RECEIVABLES

	<b>30.09.2014</b>	<b>30.09.2013</b>
	<b>EUR</b>	<b>EUR</b>
P-D Glasseiden GmbH Oschatz	633 355	1 019 916
P-D Tafneft Fiberglas Alabuga	425 712	179 473
P-D Industriegesellschaft mbH Bratendorf	95 266	69 991
P-D Interglas Technologies GmbH	119 583	279 598
Vitrulan Textile Glass GmbH	83 267	31 251
Vitrulan Technical Textiles GmbH	86 405	168 371
Other trade receivables	10 487 154	10 902 680
Increase in doubtful debts	(219 078)	(114 099)
<b>Total</b>	<b>11 711 664</b>	<b>12 537 181</b>

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For information stated in this financial report please contact:

#### **Marika Nīmante**

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